


TRIBAG MINING CO., LIMITED



Annual Report 1970



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HIGHLIGHTS

- Record copper production of 7,022,641 pounds.
- Working capital increased to \$2,635,265 or 69¢ per share.
- Increased exploration activity.



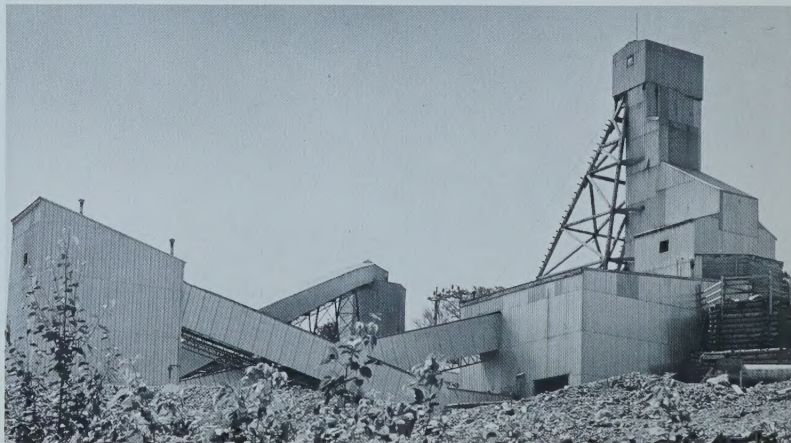
Portal into upper West Breccia



Report to Shareholders:

It is a pleasure to report that copper output from your company's Batchawana Bay mine was again at a record level during 1970. The operation produced 7,022,641 pounds of copper, compared with 6,646,885 pounds the previous year. However, the average price received for copper dropped sharply from 71¢ to 55¢, so that metal sales revenue dropped from \$4,832,877 to \$3,986,911.

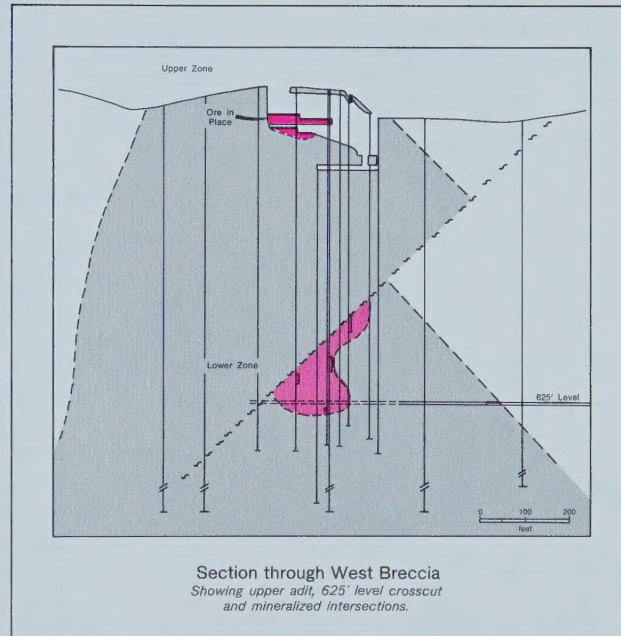
Mine operating profit was \$1,257,972 and, after interest expense of \$105,000, outside exploration of \$62,865 and investment income of \$77,772, cash earnings were \$1,167,879 or 30.5¢ per share. Non-cash write-offs totalled \$469,613 leaving net earnings of \$698,266 or 18.2¢ per share.



The mill operated at an average daily rate of 477 tons, treating an average head grade of 2.06% copper. The milling rate has been increased since the year end, averaging 564 tons per day for the first three months of the current year, but mill head grades are now running closer to the average grade of ore reserves.

Approximately 77% of the tonnage milled during 1970 was produced from the main Breton breccia pipe, including 6% from the South Zone blast hole stope, with the remainder being from the West Breccia. Mining from the upper high-grade zone in the West Breccia was suspended over the winter, and only a limited amount of ore is expected from this source during 1971. A long drive on the 625 level from the Breton shaft to the lower West Breccia ore zone reached the area in January 1971, and exploration and development work in this area is now in progress. Some high-grade mineralization has been encountered in the drift, and this zone should contribute to production during 1971.

Development in the undercut of the South Zone has indicated that a significant tonnage of low-grade ore can be mined at lower than average costs, and approximately one-third of mill feed in 1971 will be from this source.



Ore Reserves

Ore reserves at December 31, 1970 were 579,540 tons grading 1.54% copper, compared with 613,932 tons grading 1.60% last year. After mining 174,178 tons of ore and adding 139,786 tons through routine development, the net decline in ore reserve tonnage for the year was 34,392 tons. This does not include provision for ore in the lower zone of the West Breccia.

Exploration


During 1970 an extensive geological mapping and geochemical exploration programme was carried out over the entire property, and certain anomalous areas were followed up by detailed IP and SP geophysical surveys. These have indicated a number of targets which warrant additional surveys, trenching or drilling during 1971.

Tribag has a 75% interest in 154 additional claims adjoining the main mining property. A similar geological and geochemical programme was partially completed during the year, and is continuing in 1971. It is planned to follow up several geochemically anomalous areas by geophysical surveys this summer.

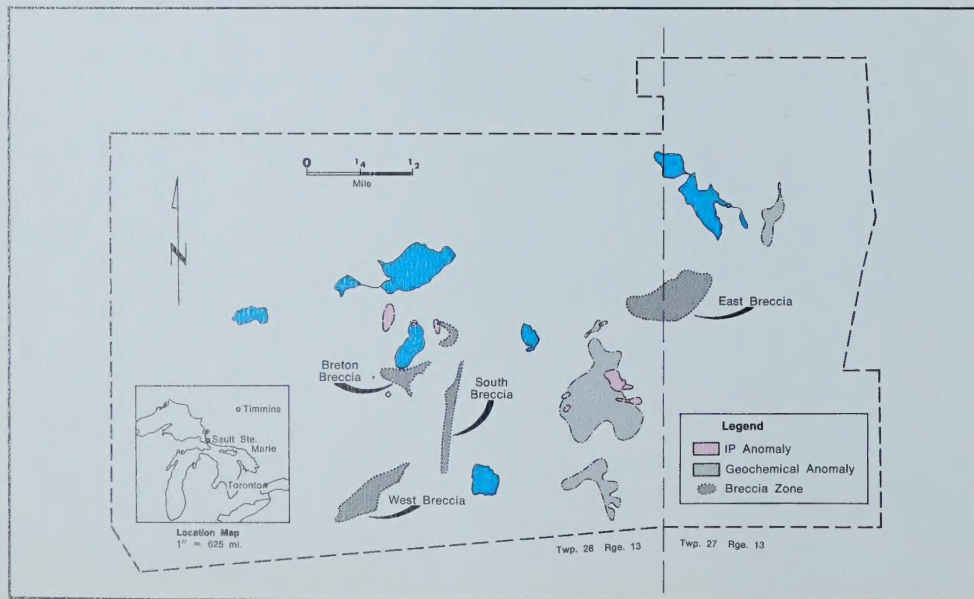
Two holes were drilled during the winter to test an electromagnetic conductor on one of these claims, but did not encounter economic mineralization.

Tribag acquired a 75% interest in six claims covering a breccia pipe approximately four miles south of the Breton Zone, and trenching and drilling is planned for the coming summer.

On behalf of the Board,



N. B. KEEVIL Jr., President.



THREE YEAR OPERATING RESULTS

	1970	1969	1968
Tons milled	174,178	177,339	157,787
Tons per day	477	486	432
Grade of ore milled (%)	2.06	1.94	1.82
Recovery (%)	97.5	98.1	97.9
Concentrate grade (%)	31.16	31.23	31.64
Mining cost (per ton)	\$ 4.66	\$ 4.82	\$ 4.93
Milling cost (per ton)	1.71	1.33	1.35
Exploration and development (per ton)	0.86	0.82	0.92
General property expense (per ton)	2.42	2.26	2.37
Surface exploration (per ton)	0.21	0.20	—
Total (per ton)	\$ 9.86	\$ 9.43	\$ 9.57
Copper production (pounds)	7,022,641	6,646,885	5,562,840
Price received (per pound)	55¢	71¢	50¢
Value of production	\$3,986,911	\$4,832,877	\$2,913,389
Mine operating profit	1,257,972	2,047,895	715,249
Investment income	77,772	1,457	187
Interest expense	105,000	128,603	150,106
Outside exploration	62,865	10,548	3,094
Cash earnings	1,167,879	1,910,201	562,236
— per share	30.5¢	49.9¢	14.7¢
Non-cash write-offs	469,613	477,523	470,246
Net earnings	698,266	1,432,678	91,990
— per share	18.2¢	37.4¢	3.1¢

ASSETS

	1970 \$	1969 \$
CURRENT ASSETS		
Cash and short-term deposits	1,872,061	145,903
Accounts receivable	42,590	26,524
Ore settlements at estimated net realizable value	1,036,257	1,875,962
Stores and materials — at cost	84,527	97,607
Prepaid insurance	17,607	19,125
	<u>3,053,042</u>	<u>2,165,121</u>
INVESTMENTS		
Marketable securities — at cost less amounts written off — market value 1970 — \$72,080; 1969 — \$125,999	138,924	138,924
Other securities — at cost	50,050	50,050
	<u>188,974</u>	<u>188,974</u>
FIXED ASSETS — at cost		
Buildings, machinery and equipment	1,915,347	1,810,901
Accumulated depreciation	791,849	593,585
	<u>1,123,498</u>	<u>1,217,316</u>
Mining claims	135,051	134,877
	<u>1,258,549</u>	<u>1,352,193</u>
OTHER ASSETS AND DEFERRED EXPENDITURES		
Deferred development, exploration and administration less amounts written off	1,800,708	1,985,368
Bond discount and financing charges	10,880	10,880
Hydro-line (note 1)	138,464	144,503
	<u>1,950,052</u>	<u>2,140,751</u>
	<u>6,450,617</u>	<u>5,847,039</u>

CO., LIMITED

December 31, 1970

LIABILITIES

CURRENT LIABILITIES	1970 \$	1969 \$
Accounts payable and accrued liabilities	317,507	292,745
Provision for mining taxes	100,270	219,720
	<u>417,777</u>	<u>512,465</u>
LONG-TERM DEBT		
7% convertible income bonds due on or before August 31, 1972 (note 2)	1,500,000	1,500,000
	<u>1,917,777</u>	<u>2,012,465</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 2)		
Authorized —		
7,500,000 common shares of \$1 par value		
Issued and fully paid —		
3,827,000 shares	3,827,000	3,827,000
Discount thereon (net)	503,000	503,000
	<u>3,324,000</u>	<u>3,324,000</u>
RETAINED EARNINGS	1,208,840	510,574
	<u>4,532,840</u>	<u>3,834,574</u>

SIGNED ON BEHALF OF THE BOARD

J. H. Wentley

Director

E. M. Beale

Director

6,450,617

5,847,039

STATEMENT OF EARNINGS

For the year ended December 31, 1970

	1970	1969 (note 5)
	\$	\$
INCOME		
Value of production	3,986,911	4,832,877
Less: Smelter, freight and marketing expenses	834,074	806,728
	<u>3,152,837</u>	<u>4,026,149</u>
OPERATING EXPENSES		
Mining	810,865	855,483
Milling	298,579	235,186
Development and exploration	149,467	145,001
General mine expenses	421,703	401,396
Executive office expenses	109,775	86,212
Ontario mining tax	68,500	219,500
Surface exploration	35,976	35,476
	<u>1,894,865</u>	<u>1,978,254</u>
MINE OPERATING PROFIT	1,257,972	2,047,895
OTHER INCOME		
Investment income	77,772	1,257
Miscellaneous	—	200
	<u>1,335,744</u>	<u>2,049,352</u>
OTHER EXPENSES		
Bank interest	—	23,603
Debenture interest	105,000	105,000
	<u>105,000</u>	<u>128,603</u>
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION AND EXPLORATION	1,230,744	1,920,749
Provision for depreciation	198,264	214,821
Provision for amortization of deferred expenditures	271,349	262,702
Outside exploration	62,865	10,548
	<u>532,478</u>	<u>488,071</u>
NET EARNINGS FOR THE YEAR (note 4)	<u>698,266</u>	<u>1,432,678</u>
EARNINGS PER SHARE	<u>0.182</u>	<u>0.374</u>
FULLY DILUTED		
— Earnings per share (if conversion privileges on income bonds were exercised)	<u>0.160</u>	<u>0.306</u>

STATEMENT OF SOURCE AND USE OF FUNDS

For the year ended December 31, 1970

SOURCE OF FUNDS	1970 \$	1969 \$
Net profit for the period	698,266	1,432,678
<i>Add:</i> Charges not requiring cash outlay —		
Depreciation	198,264	214,821
Amortization	271,349	262,702
	<u>1,167,879</u>	<u>1,910,201</u>
Hydro-line recoveries	6,039	5,744
	<u>1,173,918</u>	<u>1,915,945</u>
 USE OF FUNDS		
Additions to fixed assets (net)	104,446	83,824
Increase in mining claims — survey	174	31,965
Deferred development expenditures	86,689	303,705
	<u>191,309</u>	<u>419,494</u>
INCREASE IN WORKING CAPITAL	982,609	1,496,451
WORKING CAPITAL — BEGINNING OF YEAR	1,652,656	156,205
WORKING CAPITAL — END OF YEAR	<u>2,635,265</u>	<u>1,652,656</u>

STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1970

	1970	1969
	\$	\$
BALANCE — BEGINNING OF YEAR (DEFICIT)	510,574	(922,104)
Net earnings for the year	698,266	1,432,678
BALANCE — END OF YEAR	<u>1,208,840</u>	<u>510,574</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Tribag Mining Co., Limited as at December 31, 1970 and the statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at

December 31, 1970 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 31, 1971

McDONALD, CURRIE & CO.
Chartered Accountants

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 1970

1. HYDRO-LINE

The cost of the hydro-line is recoverable from the Great Lakes Power Company Limited at the rate of 10% of the annual hydro bill.

2. LONG-TERM DEBT

The company entered into an agreement with Teck Corporation Limited, dated August 17, 1966, to provide financing to the extent of \$1,750,000 to bring the Batchawana copper property into production in consideration for:

	\$
(a) 200,000 treasury shares at \$1.25 per share	250,000
(b) a total of \$1,500,000 principal amount of 7% convertible income bonds due August 31, 1972 (convertible at \$1.25 per share) and 375,000 treasury shares to be issued in units consisting of one bond of the principal amount of \$1,000 and 250 shares at the price of \$1,000 per unit	1,500,000
	<u>1,750,000</u>

3. SENIOR OFFICERS REMUNERATION

Remuneration paid to five employees, designated "senior officers" by The Business Corporations Act, and to the President, was \$75,617.

4. INCOME TAXES

The company's three year tax exemption under Section 83(5) of the Income Tax Act ended on May 31, 1970. The company proposes to claim for income tax purposes capital cost allowances and Section 83A expenditures amounting to approximately \$540,000. At December 31, 1970 unclaimed capital cost allowances and Section 83A expenditures exceeded net book values of the related assets by approximately \$2,290,000. Accordingly no taxes are payable in respect of the year ended December 31, 1970 and the balance of the excess allowances may be utilized to reduce taxable income in future years.

5. 1969 COMPARATIVE FIGURES

Certain of the 1969 figures have been reclassified in order to make the financial statements comparable.

DIRECTORS

C. H. Franklin, Toronto, Ontario, President, Minaco Equipment Limited, Algonquin Building Credits Limited, Chairman of Hardee Farms International Limited and Federal Diversiplex Limited, Director of Teledyne Canada Limited, Nigadoo River Mines Limited and other companies.

E. R. Heald, Toronto, Ontario, President, Coppercorp Limited

N. B. Keevil, M.Sc., Ph.D., Port Credit, Ontario, President, Teck Corporation Limited, Copperfields Mining Corporation Limited and other companies.

N. B. Keevil Jr., M.Sc., Ph.D., P.Eng., Toronto, Ontario, Executive Vice-President, Teck Corporation Limited.

J. H. Westell, Islington, Ontario, Vice-President, Keevil Mining Group Limited, Treasurer, Teck Corporation Limited and other associated companies.

OFFICERS

N. B. Keevil Jr., President

R. E. Hallbauer, Vice-President

W. H. Maedel, Secretary

J. H. Westell, Treasurer

HEAD OFFICE

Suite 4900, P.O. Box 49, Toronto-Dominion Centre, Toronto 1, Ontario

MINE MANAGER

A. Mitchell

MINE OFFICE

Batchawana Bay, Ontario

TRANSFER AGENT

Crown Trust Company, Toronto, Ontario

AUDITORS

McDonald, Currie & Co., Toronto, Ontario

SHARES LISTED

Toronto Stock Exchange

ANNUAL MEETING

June 30, 1971, 11:00 a.m., British Columbia Room,
Royal York Hotel, Toronto, Ontario



TRIBAG MINING CO., LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS

For the 6 months ended June 30

	1970	1969
Source of Funds:		
Net earnings for the period	\$ 561,410	\$ 393,808
Add: Non-cash charges:		
Depreciation	93,270	103,545
Amortization	131,956	124,690
	<u>786,636</u>	<u>622,043</u>
Hydro line recoveries	3,066	2,846
Profit on sale of investments	—	83
	<u>789,702</u>	<u>624,972</u>
Use of Funds:		
Addition to buildings, machinery and equipment	26,284	32,388
Deferred development	12,335	170,725
Mining claims survey	174	28,231
	<u>38,793</u>	<u>231,244</u>
Increase in Working Capital	750,909	393,728
Working Capital beginning of year	1,652,656	156,205
	<u>\$2,403,565</u>	<u>\$ 549,933</u>

N.B. The operating statements are unaudited, contain estimates, and are subject to final smelter adjustments.

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TRIBAG MINING CO., LIMITED



SIX MONTHS
REPORT
JUNE 30, 1970

Executive Offices

Suite 4900
Toronto-Dominion Centre
TORONTO, ONTARIO

TRIBAG MINING CO., LIMITED

Six Months Report

The Batchawana Bay mine operated normally throughout the second quarter, increasing production for the first six months of 1970 to 3,079,069 pounds of copper and 29,068 ounces of silver. Earnings declined in the second quarter because of the lower price received for copper. The average price for the second three months declined to 67.6¢ per pounds from 71.6¢ in the first, and the last monthly settlement was at 65.8¢ per pound.

The value of production for the six months was \$2,212,225. After smelter charges of \$380,945 and operating expenses of \$1,009,568, mine operating profit was \$821,712. Investment income of \$27,841 increased operating profit to \$849,553 and after exploration expenditures of \$10,417 and interest charges of \$52,500, net cash earnings were \$786,636. Non-cash write-offs of \$225,226 left a net earnings figure of \$561,410 or 14.7¢ per share.

The exploration drive from the 625 foot level is proceeding on schedule at the rate of 300 feet per month. At June 30 it was 2,000 feet from the lower West Breccia ore zone.

Although still in its early stages, the exploration programme on the mine property and adjacent properties (in which Tribag has a 75% interest) has turned up a number of potential drilling targets.

It is expected that operations will continue at prevailing levels for the remainder of the year, although the pounds of copper produced will decline slightly as the proportion of the richer West Breccia ore added to mill feed declines. The most important factor affecting the final earnings of Tribag will be the price received for copper.

TRIBAG MINING COMPANY LIMITED

Half Year Results

For the 6 months ended June 30

	1970	1969
Tons milled	83,976	89,682
Tons daily	464	495
Tons concentrate	4,990	4,570
Copper lbs.	3,079,069	2,934,213
Silver, ozs.	29,068	24,749

STATEMENT OF EARNINGS

For the 6 months ended June 30

	1970	1969
Value of production	\$2,212,225	\$1,881,666
Less: Smelter, freight and marketing expense	380,945	333,798
	<u>1,831,280</u>	<u>1,547,868</u>
Operating Expenses:		
Mining	410,960	415,127
Milling	126,904	102,218
Development and exploration	133,440	72,623
General mine expenses	202,020	184,535
Executive office expenses	47,508	40,421
Ontario mining tax	88,736	41,493
	<u>1,009,568</u>	<u>856,417</u>
Mine Operating Profit	<u>821,712</u>	<u>691,451</u>
Investment Income	27,841	—
Operating Profit	<u>849,553</u>	<u>691,451</u>
Other Expenses:		
Outside exploration	10,417	566
Bank interest	—	16,342
Contingent provision for bond interest	52,500	52,500
	<u>62,917</u>	<u>69,408</u>
Net cash earnings before write-offs	786,636	622,043
Provision for depreciation	93,270	103,545
Provision for amortization	131,956	124,690
Net earnings	<u>\$ 561,410</u>	<u>\$ 393,808</u>

N.B. KEEVIL
President

August 6, 1970

Income per share		
Cash earnings	20.6¢	16.2¢
Net earnings	14.7¢	10.3¢